

Message Text

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12

ACTION NEA-10

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 /123 W
----- 001701

R 070815Z SEP 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3614

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA QEP

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARISSUNN

USMISSION EC BRUSSELS

USINT BAGHDAD

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E.O. 11652: N/A

TAGS: ENRG KU, OPEC

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SUBJECT: KUWAITI CRUDE OIL SALES POLICY

1. DURING CONVERSATION WITH EMBOFF ON OTHER MATTERS (REPORTED SEPTTEL) NEWLY APPOINTED ASSISTANT UNDERSECRETARY FOR PETROLEUM ECONOMICS MUHAMAD NASEER COMMENT ON GOK POLICY TOWARD DIRECT CRUDE OIL YALBAG NASEER WHO REPLACES SHAIKH ALI KHALIFA AL-SABAH (WHO HAS BECOME UNDERSECRETARY OF FINANCE) WILL BE IN CHARGE OF GOK DIRECT SALES OF CRUDE OIL. HE SAID FINAL DECISION TO TRANSFER THESE RESPONSIBILITIES TO KNPC HAS YET TO BE MADE, AND INDICATED THAT HE HOPES TO EXPAND HIS OFFICE'S CRUDE SALES EXPERTISE AND CAPABILITIES IMPLYING THAT CRUDE OIL SALES WILL CONTINUE TO BE HANDLED BY THE MINISTRY FOR SOME TIME TO COME.

2. NASEER SAID THAT GOK WILL MAKE SALES ON COMMERCIAL TERMS AND WITHIN OPEC REGULATIONS. POLITICS WILL NOT RPT NOT BE AN ELEMENT IN DETERMINING WHO CAN BUY KUWAITI CRUDE OR WHAT PRICE WILL BE CHARGED.

3. HE SAID CURRENT PRICE IS \$10.36 PER BARREL, BUT THIS PRICE COULD CHANGE SOON DEPENDING ON WHAT PRICE DECISIONS ARE MADE AT SEPTEMBER OPEC MINISTERIAL MEETING IN VIENNA. HE ADMITTED THAT CERTAIN SPECIAL CUSTOMERS, I.E., GULF, BP AND SHELL, HAVE BETTER CREDIT TERMS THAN OTHER CUSTOMERS WHO ARE BUYING SMALLER QUANTITIES OF CRUDE. HE SAID THAT UNTIL NOW GOK HAS RESISTED PRESSURE TO OFFER BETTER CREDIT TERMS TO THESE BUYERS. NASEER ALSO INDICATED THAT SOME DE FACTO DIFFERENCES IN PRICES CAN OCCUR AS A RESULT OF EXCHANGE RATE DIFFERENCES. HE INDICATED THAT ORIGINAL PRICE CAN BE EXPRESSED IN ANY ONE OF SIX CURRENCIES, ALTHOUGH ACTUAL PAYMENT IS ALWAYS IN US DOLLARS. HE DID NOT ELABORATE.

4. NASEER DID NOT IDENTIFY ANY NEW AMERICAN COMPANIES CURRENTLY ACTIVELY SEEKING TO BUY KUWAITI CRUDE, BUT WE HAVE HAD SOME INDICATION OF POSSIBLE INTEREST BY SUN OIL COMPANY. NASEER SAID FRENCH AND JAPANESE COMPANIES HAVE BEEN THE MOST AGGRESSIVE RECENTLY.

5. COMMENT: NASEER'S REMARKS TEND TO CONFIRM WHAT WE HAD UNDERSTOOD TO BE TRADITIONAL GOK POLICY TOWARD DIRECT CRUDE SALES. HIS REMARKS SUGGEST SOME JOCKEYING BETWEEN MINISTRY OF OIL AND KNPC (SEE KUWAIT 3597, NOTAL) OVER WHICH ORGANIZATION LIMITED OFFICIAL USE

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WILL HANDLE CRUDE SALES. APPEARS, BASED ON HIS COMMENTS, THAT CREDIT TERMS AND EXCHANGE RATE CALCULATIONS OFFER SOME SLIGHT FLEXIBILITY REGARDING ACTUAL PRICES BEING CHARGED. THROUGH THESE DEVICES GOK CAN, IF IT CHOOSES, VARY DE FACTO PRICE AMONG CUSTOMERS AND STILL CLAIM TO ADHERE TO OPEC REGULATIONS.

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